

## Message Text

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DRAFTED BY: ARA/BR: JSLATTERY

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R 231858Z JUL 75

FM SECSTATE WASHDC

TO AMEMBASSY LONDON

AMEMBASSY CANBERRA

AMEMBASSY BOGOTA

AMEMBASSY SAN JOSE

AMEMBASSY SANTO DOMINGO

AMEMBASSY QUITO

AMEMBASSY ADDIS ABABA

AMEMBASSY ACCRA

AMEMBASSY GUATEMALA

AMEMBASSY CONAKRY

AMEMBASSY PORT AU PRINCE

AMEMBASSY TEGUCIGALPA

AMEMBASSY NEW DELHI

AMEMBASSY JAKARTA

AMEMBASSY KINGSTON

AMEMBASSY NAIROBI

AMEMBASSY MONROVIA

AMEMBASSY MEXICO

AMEMBASSY MANAGUA

AMCONSUL LUANDA

AMEMBASSY YAOUNDE

AMEMBASSY BANGUI

AMEMBASSY COTONOU

AMEMBASSY LIBREVILLE

AMEMBASSY ABIDJAN

AMEMBASSY TANANARIVE

AMEMBASSY LOME

AMEMBASSY PANAMA

AMEMBASSY ASUNCION

AMEMBASSY LIMA

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AMEMBASSY LISBON

AMEMBASSY KIGALI

AMEMBASSY FREETOWN

AMEMBASSY DAR ES SALAAM

AMEMBASSY PORT OF SPAIN  
AMEMBASSY CARACAS  
AMEMBASSY KINSHASA  
AMEMBASSY LAGOS  
AMEMBASSY LA PAZ  
USMISSION EC BRUSSELS  
AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY COPENHAGEN  
AMEMBASSY DUBLIN  
AMEMBASSY LUXEMBOURG  
AMEMBASSY OSLO  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY THE HAGUE  
USMISSION OECD PARIS  
AMCONSUL PORT MORESBY VIA POUCH

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FOLLOWING REPEAT SAO PAULO 1482 ACTION SECSTATE INFO BRASILIA RIO DE  
JANERIO PORTO ALEGRE SALVADOR RECIFE AND BELEN 21 JUL 75

QUOTE

UNCLAS SAO PAULO 1482

E.O.11652:

/A

TAGS: EAGR, BR

SUBJECT: WORST FROST IN HISTORY RESULTS IN EXTENSIVE CROP  
DAMAGE IN PARANA, SAO PAULO AND SOUTHERN MATO GROSSO STATES

1. SUMMARY: PRESS AND TRADE SOURCES INDICATE THAT THE DAMA-  
GE FROM THE CRIPPLING FROSTS JULY 16 AND 17/18 IS THE WORST  
IN HISTORY. THE ONLY COMPARABLE FROSTS WERE IN 1918 AND 1942,  
WHEN NORTHER PARANA, THE HEART OF THAT STATE'S COFFEE GROWING  
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INDUSTRY, WAS STILL JUNGLE AND WHEAT WAS NOT GROWN EXTENSI-  
VELY IN EITHER PARANA OR SAO PAULO. MINISTER OF INDUSTRY AND  
COMMERCE SEVERO GOMES HAS CONFIRMED THAT 100 PERCENT OF PA-  
RANA'S POTENTIAL 1976/77 CROP HAS BEEN DESTROYED AND THAT  
COFFEE TREES THERE MAY NOT RECOVER FOR TWO OR THREE YEARS.  
MANY PARANA COFFEE FARMERS WILL SWITCH TO SOYBEANS OR SOYBEAN  
AND WHEAT DOUBLE CROPPING, AND SOME ARE ALREADY BEGINNING TO  
ERADICATE THEIR TREES. MOST OF THE 200 MILLION NEW COFFEE  
TREES WHICH WERE PLANTED IN PARANA IN RECENT YEARS AND  
WHICH WERE TO START YIELDING NEXT YEAR WILL HAVE TO BE REPLA-  
CED. TOTAL BRAZILIAN COFFEE STOCKS ARE OFFICIALLY REPORTED  
TO BE 21 MILLION BAGS (OF WHICH 15 MILLION IBC AND 6 PRIVATE)  
AND 18 TO 21 MILLION BAGS ARE EXPECTED FROM THE PRESENT CROP

(1975/76). THE 1976/77 CROP, WHICH WAS ESTIMATED AT 24 TO 28 MILLION BAGS, IS NOW ESTIMATED AT 4 TO 12, WITH ONLY 1 TO 3 MILLION FROM PARANA. THERE ARE NO STATEWIDE ESTIMATES ON SAO PAULO COFFEE DAMAGE YET, BUT AN OFFICIAL ESTIMATE OF COFFEE AND OTHER CROP LOSSES IN SAO PAULO HAS BEEN PROMISED IN 10 DAYS. THE COFFEE TREES IN SOUTHERN MATO GROSSO WERE REPORTEDLY TOTALLY "BURNED" AND 1976/77 COFFEE CROP LOSSES IN MINAS GERAIS FROM THE EARLIER JULY 7 AND 8 FROSTS ARE REPORTED TO BE 30 PERCENT. PASTURES IN PARANA AND SAO PAULO ARE REPORTED TO HAVE BEEN HARDEST HIT WITH RESULTING ANTICIPATED DECLINES IN MILK PRODUCTION AND LOSS OF WEIGHT FOR BEEF CATTLE. CATTLE LOSSES IN MATO GROSSO ARE ESTIMATED AT 20,000 TO 25,000 FROM THE COLD. LOSSES OF 80 PERCENT OF THE TRUCK GARDEN AND ORCHARD PRODUCTS IN THE CURITIBA AND SAO PAULO AREAS ARE REPORTED. SERIOUS LOSSES TO SUGAR CANE, ON TOP OF DECREASED YIELDS AS A RESULT OF CONTINUING DROUGHT, ARE REPORTED IN SOME AREAS OF SAO PAULO. NEXT TO COFFEE, THE MOST SERIOUS ECONOMIC LOSS IS IN WHEAT PRODUCTION WITH THE LOSS IN PARANA STATE ALONE VARIOUSLY ESTIMATED AT 500,000 TO 650,000 METRIC TONS AND LOSSES IN THE ASSIS AREA OF SAO PAULO STATE, A LARGE PRODUCING AREA FOR THE STATE, ESTIMATED TO BE 80 PERCENT. WHEAT LOSSES ARE SPOTTY, AND SOME RECUPERATION IS POSSIBLE. TOMATOES, BANANAS, CASTOR BEANS, ORDINARY BEANS (FEIJAO), RICE, AND RAMIE HAVE ALL BEEN DAMAGED IN VARIOUS PARTS OF THE CONSULAR DISTRICT. THE GOVERNMENT HAS DECREARED#THAT IT WILL NOT FORGIVE EXISTING LOANS TO COFFEE GROWERS FROM THE IBC, BUT WILL PLACE A MORATORIUM ON SUCH LOANS IN PARANA AND ELSEWHERE WHERE NECESSARY. NEW CREDITS WILL UNCLASSIFIED

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BE AVAILABLE FOR REPLANTING, ESPECIALLY FOR THOSE ENGAGED IN THE COFFEE RENEWAL PROGRAM IN PARANA STATE. BRAZIL HAS SUSPENDED ALL GREEN COFFEE EXPORTS UNTIL FURTHER NOTICE. END SUMMARY.

2. SAO PAULO NEWSPAPERS CARRY EXTENSIVE COVERAGE OF THE CRIPPLING FROSTS JULY 16 AND 17/18 THROUGHOUT THE CONSULAR DISTRICT: PARANA, SAO PAULO, AND SOUTHER MATO GROSSO. THE FULL IMPACT WILL NOT BE KNOWN FOR AT LEAST A MONTH, BUT AUTHORITY ESTIMATES ON PARANA'S INITIAL COFFEE LOSSES ARE AT HAND, AND ENOUGH DATA IS AVAILABLE SO THAT SOME ESTIMATES CAN BE MADE CONCERNING COFFEE LOSSES IN SAO PAULO, WHEAT LOSSES IN PARANA, AND DAMAGE TO SUGAR CANE, PASTURES, BANANAS, AND OTHER CROPS. OFFICIAL SAO PAULO STATE ESTIMATES ARE EXPECTED IN 10 DAYS AND WILL BE PROVIDED. THE COLD WEATHER IS NOW ABATING THROUGHOUT THE AREA; THE POLAR AIR MASS HAS WARMED AND IS MOVING OUT TO SEA, AND THE IMMEDIATE DANGER OF FURTHER FROSTS HAS DISAPPEARED. THERE IS A POSSIBILITY OF FURTHER FROSTS THIS WINTER, AS SEVERE WEATHER IS SAID TO COME IN 11 YEAR CYCLES, AND THIS IS THE YEAR FOR EXTREME COLD. WHILE THERE IS DISAGREEMENT AS TO WHETHER THE FROSTS ARE THE WORST SINCE 1918 OR SINCE 1942, THE

ECONOMIC DAMAGE FROM THESE FROSTS IS MUCH GREATER BECAUSE NORTHERN PARANA, THE HEART OF THAT STATE'S COFFEE AREA, WHERE THE COFFEE TREES WERE TOTALLY "BURNED", DESTROYING AT LEAST NEXT YEAR'S PRODUCTION, WAS JUNGLE DURING BOTH THE PREVIOUS MAJOR FROSTS. TRADE SOURCES CONFIRM NEWSPAPER ACCOUNTS. FURTHER FACTUAL REPORTS WILL BE SENT AS INFORMATION DEVELOPS AND THIS POST WILL CONTRIBUTE TO ANALYSES BY THE EMBASSY OF THE MACROECONOMIC IMPLICATIONS FOR BRAZIL. THE FOLLOWING IS THE STATE OF CROP DAMAGE, COMMODITY BY COMMODITY, AS CURRENTLY REPORTED.

3. COFFEE: THE MOST AUTHORITATIVE ESTIMATE OF THE COFFEE SITUATION WAS MADE BY IBC PRESIDENT CAMILO CALAZANS ON THE EVENING OF JULY 18. HE SAID THE EXPECTED 1976/77 BRAZILIAN COFFEE CROP OF 28 MILLION BAGS WOULD FALL TO 14 MILLION, "PERHAPS 12, OR EVEN 10". (MINISTER OF COMMERCE AND INDUSTRY SEVERO GOMES, AFTER MEETING WITH CALAZANS AND SURVEYING THE PARANA SCENE JULY 19, ANNOUNCED A FIGURE OF 12 MILLION BAGS, WHICH WAS GREETED WITH HOOTS OF DERISION BY ALL JOURNALISTS PRESENT). IN PARANA, CALAZANS SAID UNCLASSIFIED

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THE 1976/77 HARVEST HAD BEEN ESTIMATED AT 12 MILLION BAGS, BUT PRELIMINARY ESTIMATES AFTER THE FROST WERE BETWEEN 2 AND 3 MILLION (COMPARE ANDERSON CLAYTON'S ESTIMATE OF 12 AND 1 MILLION BAGS RESPECTIVELY IN REFTEL). CALAZANS INITIALLY ESTIMATED THAT 1.2 BILLION COFFEE TREES, OR APPROXIMATELY 70 PERCENT OF THE NATION'S COFFEE TREES, OR A HAD BEEN DAMAGED.

A CAREFUL INVESTIGATION WOULD HAVE TO BE MADE IN THE NEXT 30 DAYS TO DETERMINE WHETHER JUST THE BUSHY PARTS OF THE COFFEE TREES HAD BEEN DAMAGED, WHICH WOULD ONLY REDUCE THE 1976/7 CROP, OR WHETHER THE TRUNKS AND MAIN BRANCHES HAD BEEN DAMAGED, WHICH WOULD REQUIRE EXTENSIVE PRUNING OR EVEN SAWING THE TRUNKS TO ALLOW THE TREES TO GROW ANEW. EITHER OF THE LAST TWO PROCESSES WOULD ADVERSELY AFFECT COFFEE PRODUCTION FOR THE NEXT THREE YEARS.

(LATER REPORTS INDICATE THAT MANY COFFEE TREE TRUNKS IN PARANA HAVE BEEN FROZEN ALMOST TO GROUND LEVEL, AND IN SOME CASES THE ROOTS HAVE ALSO BEEN FROZEN. THE 200 MILLION NEW COFFEE TREES PLANTED IN PARANA IN RECENT YEARS UNDER THE COFFEE RENOVATION PROGRAM ARE REPORTED VIRTUALLY TOTALLY DESTROYED AND REPLANTING WILL BE NECESSARY OR ELSE A SWITCH TO SOYBEANS. THE LATTER IS LARGERLY RULED OUT BECAUSE OF THE HEAVY DEBT OF PLANTERS, WHO WERE EXPECTING THEIR FIRST HARVEST NEXT YEAR). CALAZANS SAID THAT IBC COFFEE STOCKS WERE 15 MILLION BAGS WITH 6 TO 8 MILLION IN PRIVATE HANDS. (MINISTER GOMES, AFTER CONFERRING WITH CALAZANS, ANNOUNCED JULY 19 THAT TOTAL BRAZILIAN STOCKS WERE 21 MILLION BAGS, AND THAT THE PRESENT CROP WOULD ADD ANOTHER 21 MILLION BAGS. OTHER ESTIMATES PUT THE LATTER FIGURE AT 18 MILLION). CALAZANS' FORWARD ESTIMATE WAS: "IF THE HYPOTHESIS THAT THE FREEZE HAS PROFOUNDLY DAMAGED THE COFFEE PLANTATIONS IS BORNE OUT, THIS (THE PRESENT) STOCK SHOULD BE REDUCED TO ZERO IN TWO YEARS. IF THE FREEZE HAS ONLY SUPERFICIALLY DAMAGED THE COFFEE TREES, WE SHOULD STILL HAVE A RESERVE OF 5 MILLION BAGS IN 1977." THE COFFEE

TREE DAMAGE HAS AFFECTED ALL AREAS IN PARANA, EXTENSIVE AREAS OF SOUTH AND CENTRAL SAO PAULO STATE, SOUTHERN MATO GROSSO AND EVEN REACHED THE MINAS GERAIS BORDER AREAS WHERE THERE WAS A PREVIOUS 30 PERCENT CROP LOSS BECAUSE OF FROSTS ON JULY 7 AND 8.

4. OTHER SOURCES WERE EVEN MORE PESSIMISTIC THAN CALAZANS:

1) GOVERNOR OF PARANA CANET, HIMSELF A LARGE COFFEE GROWER, IS QUOTED AS SAYING AFTER FLYING OVER THE COFFEE AREAS JULY 18: "THE NEXT CROP IS ZERO." 2) "GAZETA MERCANTIL" QUOTED MINISTRY OF AGRICULTURE SOURCES AS STATING DISCREETLY THAT THE TOTAL BRAZIL CROP WILL BE REDUCED BY 90 PERCENT FROM THE ANTICIPATED 28 MILLION BAG LEVEL; 3) ON ARRIVAL IN LONDRINA, AFTER FLYING OVER PARANA, MINISTER GOMES SAID, "THERE IS NO NECESSITY TO MAKE AN EVALUATION OF DAMAGE HERE IN PARANA...ALL COFFEE TREES WERE DAMAGED AND ARE NOW OUT OF PRODUCTION."; 4) THE PRESENT COFFEE HARVEST IN PARANA STATE OFFICIALLY ESTIMATED AT 9.6 MILLION BAGS HAD BEEN 25 TO 30 PERCENT HARVESTED AND THERE WOULD ONLY BE LOSSES WITH REGARD TO THE QUALITY OF THE PRODUCT, NOT THE ACTUAL PHYSICAL VOLUME, IBC TECHNICIANS IN LONDRINA STATED INITIALLY ON JULY 18 (ON JULY 19, FEDERAL GOVERNMENT SOURCES SAID THAT 90 PERCENT OF THE PARANA CROP WAS HARVESTED AND IN THE HANDS OF THE PRODUCERS.) 5) PRESIDENT SALVIO DE ALMEIDA PRADO OF SOCIEDADE RURAL BRASILEIRA SAID JULY 18, AFTER CONFERRING ALL DAY WITH MEMBERS FROM ALL OVER THE FOUR STATE REGION, THAT ALL THE COFFEE PLANTATIONS IN PARANA STATE WERE "BURNED" WITH SUCH INTENSITY THAT THERE IS PRACTICALLY NO MORE COFFEE GROWN IN THE STATE AND THAT THERE WAS FROST DAMAGE IN ALL THE COFFEE GROWING AREAS IN SAO PAULO STATE. HE ESTIMATED THE TOTAL 1975/76 COFFEE CROP TO BE 18 MILLION BAGS AS A RESULT OF THE FROST. THE SOCIETY HAD PREVIOUSLY REDUCED ITS ESTIMATES TO 21 MILLION BAGS (MINISTER SEVERO GOMES'S FIGURE) AS A RESULT OF PROLONGED DROUGHT IN SAO PAULO STATE, WHICH WAS CALCULATED TO HAVE ALREADY REDUCED THE CROP THERE BY 29 PERCENT.

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LIAN 1976/77 CROP MIGHT BE REDUCED BY 90 PERCENT FROM THE ANTICIPATED 28 MILLION BAG LEVEL; 3) ON ARRIVAL IN LONDRINA, AFTER FLYING OVER PARANA, MINISTER GOMES SAID, "THERE IS NO NECESSITY TO MAKE AN EVALUATION OF DAMAGE HERE IN PARANA...ALL COFFEE TREES WERE DAMAGED AND ARE NOW OUT OF PRODUCTION."; 4) THE PRESENT COFFEE HARVEST IN PARANA STATE OFFICIALLY ESTIMATED AT 9.6 MILLION BAGS HAD BEEN 25 TO 30 PERCENT HARVESTED AND THERE WOULD ONLY BE LOSSES WITH REGARD TO THE QUALITY OF THE PRODUCT, NOT THE ACTUAL PHYSICAL VOLUME, IBC TECHNICIANS IN LONDRINA STATED INITIALLY ON JULY 18 (ON JULY 19, FEDERAL GOVERNMENT SOURCES SAID THAT 90 PERCENT OF THE PARANA CROP WAS HARVESTED AND IN THE HANDS OF THE PRODUCERS.) 5) PRESIDENT SALVIO DE ALMEIDA PRADO OF SOCIEDADE RURAL BRASILEIRA SAID JULY 18, AFTER CONFERRING ALL DAY WITH MEMBERS FROM ALL OVER THE FOUR STATE REGION, THAT ALL THE COFFEE PLANTATIONS IN PARANA STATE WERE "BURNED" WITH SUCH INTENSITY THAT THERE IS PRACTICALLY NO MORE COFFEE GROWN IN THE STATE AND THAT THERE WAS FROST DAMAGE IN ALL THE COFFEE GROWING AREAS IN SAO PAULO STATE. HE ESTIMATED THE TOTAL 1975/76 COFFEE CROP TO BE 18 MILLION BAGS AS A RESULT OF THE FROST. THE SOCIETY HAD PREVIOUSLY REDUCED ITS ESTIMATES TO 21 MILLION BAGS (MINISTER SEVERO GOMES'S FIGURE) AS A RESULT OF PROLONGED DROUGHT IN SAO PAULO STATE, WHICH WAS CALCULATED TO HAVE ALREADY REDUCED THE CROP THERE BY 29 PERCENT.

6) A COFFEE GROWER IN PONTA PORA, MATO GROSSO STATE, WAS QUOTED AS SAYING, "WE WILL HAVE TO THINK ABOUT AN ENTIRELY NEW COFFEE CULTURE." 7) THE PRESIDENT OF THE COFFEE GROWERS INDICATED IN CORNELIO PROCOPIO, PARANA, IN THE HEART OF THE COFFEE REGION, SAID, "THERE WILL NO LONGER BE COFFEE GROWING IN PARANA. THE BLACK FROST WAS THIRD DEGREE FROST, BURNING LEAVES, BRANCHES AND TRUNKS, MAKING IT IMPOSSIBLE FOR THE TREES TO RECOVER." 8) ON JULY 19, WHEN BETTER ESTIMATES WERE IN FROM SAO PAULO STATE, THE SOCIEDADE RURAL BRASILEIRA CALCULATED THE TOTAL 1976/77 CROP AT 4 MILLION BAGS, DOWN FROM AN ANTICIPATED 24, TAKING INTO ACCOUNT ALSO A PREVIOUS DROP OF 30 PERCENT IN THE ANTICIPATED MINAS GERAIS CROP AS A RESULT OF A FROST THERE ON JULY 7 AND 8.

B. ONLY "O ESTADO DE SAO PAULO", TRADITIONALLY OVEROPTIMISTIC ON COFFEE DEVELOPMENT AND A PERENNIAL DEFENDER OF COFFEE INTERESTS, TRIED TO BE ENCOURAGING ON JULY 19 BY NOT PRINTING IBC PRESIDENT CALAZANS'S DISMAL ANALYSIS (ALTHOUGH ATTRIBUTING MUCH THE SAME INFORMATION TO IBC SOURCES IN A STORY BURIED ON PAGE 12) AND BY

GIVING A MUCH MORE OPTIMISTIC ANALYSIS ON ITS ECONOMIC PAGE OF  
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COFFEE STOCKS AND SUPPLY AND DEMAND DEVELOPMENTS OVER THE NEXT THREE YEARS THAN CALAZANS GAVE. NEVERTHELESS, "O ESTADO" CARRIED A FULL PAGE ON PARANA DEVELOPMENTS WHICH QUOTED EXPERTS AS SAYING THAT THE NEXT HARVEST THERE WAS FINISHED AND OVER HALF OF THE 900 MILLION COFFEE TREES IN PARANA WILL BE ERADICATED. SOYBEANS ARE THE LOGICAL ALTERNATIVE "O ESTADO" NOTED, BUT THIS WILL ADD A TREMENDOUS SOCIAL COST ON TOP OF THE CROP LOSSES IN COFFEE AND WHEAT IN PARANA, ESTIMATED INITIALLY AT ALMOST \$1 MILLION, OR CR\$7.3 BILLION (CR\$8.08 EQUAL \$1). (CORN IS ANOTHER ALTERNATIVE). (THE SOCIEDADE RURAL BRASILEIRA JULY 19 UPPED THE LOSS FIGURE TO CR\$10 BILLION FOR COFFEE ALONE IN PARANA AND SAO PAULO STATES.) "O ESTADO" POINTED OUT THAT A COFFEE PLANTATION OF 60 ALQUEIRES (1 ALQUEIRE EQUALS 5.98 ACRES) PROVIDES WORK FOR 50 FAMILIES, BUT A SINGLE MAN WITH MACHINERY CAN CARE FOR SOYBEANS ON A SIMILAR -4 -43-. THERE HAD BEEN A SHIFT OF FARM WORKER FAMILIES OFF THE LAND SINCE THE 60'S INTO SHANTY TOWNS SURROUNDING EXISTING TOWNS AND CITIES IN PARANA, AND THIS MOVE HAD BEEN ACCELERATED BY THE RURAL LEGISLATION ADOPTED DURING THE MEDICI GOVERNMENT WHICH RAISED LABOR COSTS TO THE PLANTERS AND ENCOURAGED THEM TO TRUCK IN DAY LABOR OR "BOIAS-FRIAS" FROM THE TOWNS, THUS ELIMINATING THE LANDOWNERS'S RESPONSIBILITY FOR HIS LABOR. EXPERTS EXPECT THAT IF 400 MILLION COFFEE TREES ARE ERADICATED, 150,000 WORKERS, AT A MINIMUM, AND LARGELY "BOIAS-FRIAS", WILL BE UNEMPLOYED. SOME PUT THE FIGURE AS HIGH AS 60 PERCENT OF THOSE EMPLOYED IN NORTHERN PARANA AND POINT OUT, WHICH CONGEN KNOWS BY PERSONAL OBSERVATION TO BE THE FACT, THAT THERE ARE FEW INDUSTRIES IN THE CITIES AND TOWNS AND EXTENSIVE UNEMPLOYMENT (AND UNDER-EMPLOYMENT) ALREADY EXISTS THERE. (WITH REGARD TO THE SWITCH TO SOYBEANS AND DOUBLE CROPPING OF SOYBEANS AND WHEAT, ANDERSON CLAYTON POINTS OUT THAT DECISIONS TO ERADICATE COFFEE TREES WILL HAVE TO BE TAKEN RAPIDLY IN ORDER TO PREPARE THE GROUND FOR PLANTING SOYBEANS IN OCTOBER. IN FACT, THE PRESS ON JULY 20 REPORTS THAT ERADICATION IS ALREADY UNDERWAY IN SOME AREAS OF PARANA)

C. THERE IS NO OFFICIAL ESTIMATE OF COFFEE DAMAGE IN SAO PAULO STATE, BUT THE STATE GOVERNMENT HAS PROMISED ONE WITHIN 10 DAYS. THERE ARE NO OVERALL ESTIMATES ON LOSSES IN MATO GROSSO.

4. WHEAT: ESTIMATES ON THE DAMAGE TO WHEAT CROPS VARY WIDELY:  
1) ANDERSON CLAYTON, AFTER A DAY'S ANALYSIS OF DATA FROM ITS REGIONAL HEADQUARTERS IN PARANA, CONCLUDED JULY 18 THAT THE LOSS WAS 500,000 METRIC TONS IN PARANA FROM 1.6 MILLION TON CROP; 2) ONE  
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ARTICLE IN "O ESTADO" FROM A SPECIAL CORRESPONDENT IN PARANA ESTIMATES A 20 PERCENT LOSS; 3) ANOTHER ARTICLE FROM ANOTHER SPECIAL CORRESPONDENT PRINTED ON THE SAME PAGE ESTIMATES A 650,000 METRIC TON LOSS OUT OF AN ANTICIPATED CROP OF 1.4 MILLION TONS;

4) STILL ANOTHER SAYS A 500,000 METRIC TON HARVEST FROM AN ANTICIPATED 1.3 TO 1.5 MILLION TON CROP WOULD BE GOOD; 5) THE SOCIEDADE RURAL BRASILEIRA ESTIMATES THE LOSS TO BE 50 PERCENT OF THE ANTICIPATED CROP. IN SAO PAULO STATE, THERE IS AN EARLY ESTIMATE LOSS OF 80 PERCENT OF THE WHEAT IN THE ASSIS AREAS IN THE SOUTH, ONE OF THE PRINCIPAL WHEAT GROWING AREAS, BUT THE RIBEIRAO PRETO WHEAT ARE WAS REPORTEDLY UNHARMED. THERE ARE NO OVERALL STATE ESTIMATES. THE LIMITED WHEAT CROP IN MATO GROSSO IS REPORTEDLY DAMAGED.

5. SUGAR CANE: A 25 PERCENT REDUCTION IN THE SAO PAULO STATE HARVEST HAD BEEN ESTIMATED AS A RESULT OF THE PROLONGED DROUGHT IN THE STATE, BUT SUBSTANTIAL ADDITIONAL FROST DAMAGE IS FORESEEN TO CANE WHICH IS NOT CUT WITHIN THREE DAYS OF THE FROST.

#### 6. PASTURES

AND CATTLE: PASTURES IN PARANA STATE WERE REPORTED BY ANDERSON CLAYTON'S REGIONAL HEADQUARTERS TO HAVE ALL BEEN SERIOUSLY DAMAGED BY FROST. MILK PRODUCTION IN SAO PAULO STATE IS REPORTED ADVERSELY AFFECTED BY PASTURE DAMAGE. BEEF CATTLE ARE SAID TO BE THREATENED WITH AN IMPORTANT WEIGHT LOSS PER HEAD. CATTLE RAISERS ARE EXPECTED TO RUSH CATTLE TO SLAUGHTER TO AVOID WEIGHT LOSS, AND THE FEDERAL GOVERNMENT HAS ANNOUNCED THAT IT HAS STOPPED ITS PLANS FOR DISTRIBUTING STOCKED FROZEN BEEF TO COMPENSATE FOR THE ANTICIPATED SHORTAGE OF FRESH KILLED MEAT IN THE DRY SEASON (ENTRESAFRA).

7. VEGETABLES AND FRUITS: THE TRUCK GARDENING AND ORCHARD AREAS AROUND SAO PAULO AND CURITIBA WERE SERIOUSLY DAMAGED BY A BLANKET OF FROST. NEWSPAPERS ACCOUNTS QUOTE THE SAO PAULO STATE INSURANCE COMPANY AS STATING THAT ONLY FIVE PERCENT OF THE PRODUCERS WERE COVERED BY CROP INSURANCE, BUT THE COMPANY ESTIMATES IT WILL NEVERTHELESS EVENTUALLY PAY OUT A LITTLE LESS THAN \$2 MILLION (CR\$15 MILLION) FOR CROP DAMAGE (IT HAD ALREADY PAID OUT CR\$ 5.5 MILLION AS RESULT OF FROSTS ON JUNE 9). THE COMPANY ESTIMATES THAT 80 PERCENT OF THE TRUCK GARDEN PRODUCTS HAVE BEEN DESTROYED UNCLASSIFIED

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BY THE CUMULATIVE FREEZES OF JUNE 9, JULY 7, AND JULY 17/18. THE BEAN CROP (FEIJAO) IS ALSO REPORTEDLY HARD HIT IN SEVERAL AREAS OF SAO PAULO STATE, AS ARE TOMATOES THROUGHOUT THE STATE WHICH HAVE NOT YET BEEN HARVESTED. TRUCK GARDEN AND ORCHARD LOSSES IN PARANA WERE REPORTED TO BE 70 PERCENT OF THE ANTICIPATED CROP.

8. BANANAS: 60 PERCENT OF THE BANANA PRODUCTION IN THE VALE DO RIBEIRA AREA OF PARANA STATE WERE REPORTEDLY KILLED BY THE INTENSE COLD AND WINDS UP TO 120 KILOMETERS AN HOUR EARLIER IN THE MONTH. FURTHER FROST LOSSES THERE AND IN OTHER BANANA GROWING AREAS OF THE STATE ARE REPORTED. WHILE BANANA SALES TO ARGENTINA WERE ALMOST AT A STANDSTILL ANYWAY, LOSSES OF UP TO \$7 MILLION ARE

ANTICIPATED. IN PARANA, AUTHORITIES REPORT A LOSS OF 50 TO 60 PERCENT OF THE CROP.

9. OTHER CROPS: CASTOR BEANS AND RAMIE HAVE REPORTEDLY BEEN HARD HIT IN PARANA, AND RICE IN MATO GROSSO.

10. GOVERNMENT MEASURES: PRESIDENT GEISEL AND HIS MINISTERS OF FINANCE, PLANNING, AND AGRICULTURE AND THE PRESIDENT OF THE BANK OF BRAZIL MET JULY 18 AND DECIDED TO EXTEND COVERAGE OF 80 PERCENT OF THE LOSSES IN PARANA GUARANTEED UNDER THE PROAGRO PROGRAM (PROGRAM OF GUARANTEES OF AGRICULTURAL ACTIVITY). PRESS REPORTS INDICATE INITIAL FARMER DISSATISFACTION WITH THIS OFFER BECAUSE THE GUARANTEES ONLY COVER 60 PERCENT OF THE CARRYING CHARGES OF THE FARMER (CUSTEIO) AND NOT HIS PLANTING COST (PLANTIE). MOREOVER, THE GUARANTEE PROGRAM WAS ANNOUNCED LATE, LOCAL BRANCHES OF THE BANCO DO BRASIL WERE UNFAMILIAR WITH THE SYSTEM, AND FEW FARMERS TOOK ADVANTAGE OF IT. MINISTER OF COMMERCE AND INDUSTRY SEVERO GOMES'S ANNOUNCEMENT TO COFFEE GROVERS IN LONDRINA ON JULY 19 THAT THEFT DUE TO THE IBC WOULD NOT BE FORGIVEN BUT A MORATORIUM IMPOSED WHICH WOULD VARY ACCORDING TO THEIR ABILITIES TO PAY WAS REPORTEDLY MET WITH STONY SILENCE. THE MINISTER CALLED ON THE GROWERS TO RALLY ROUND THE FLAG AND BE OF GOOD CHEER, WHILE ADMITTING THAT AT LEAST THE NEXT CROP WAS TOTALLY LOST. HE PROMISED THAT COMPREHENSIVE BUT UNSPECIFIED MEASURES WOULD BE TAKEN TO HELP THEM, AS SOON AS THE FULL NATURE OF THE DISASTER WAS KNOWN. HE CALLED FOR FARMER SUGGESTIONS IN THE NEXT THIRTY DAYS. MEANWHILE, BANK OF BRAZIL PRESIDENT GALMON DE SA ANNOUNCED THE EXTENSION OF REPAYMENT TERMS ON LOANS TO COFFEE GROWERS. THE UNCLASSIFIED

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GOVERNMENT ALSO SUSPENDED ALL GREEN COFFEE EXPORTS FOR AN INDEFINITE PERIOD, PERMITTING ONLY SOLUBLE COFFEE EXPORTS UNDER CONTRACTS TO PROCEED. THE GOVERNMENT ACTION ON MEAT HAD BEEN NOTED IN PARA 6 ABOVE.

1. ABOVE ARE PRESS REPORTS AND WILL CONTINUE TO BE ASSESSED. THE CONSULATE GENERAL WILL CONTINUE TO REPORT IMPORTANT FACTUAL DEVELOPMENTS AND COLLABORATE WITH THE EMBASSY ON MACROECONOMIC ANALYSES OF THE IMPACT OF THE FROSTS.

12. ABOVE TELEGRAM DISCUSSED WITH AGRICULTURAL ATTACHE DURING HIS VISIT HERE. AGRICULTURAL ATTACHE WILL SEND FAS LOCAL COFFEE EXPERT TO PARANA STATE FOR INDEPENDENT, DETAILED SURVEY OF CROP DAMAGE WEEK OF AUGUST 4.  
CHAPIN

UNQUOTE. KISSINGER

NOTE BY OC/T: POUCHED PORT MORESBY.

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## Message Attributes

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**Drafter:** ARA/BR: JSLATTERY  
**Enclosure:** n/a  
**Executive Order:** 11652 SUBJECT= n/a  
**Errors:** n/a  
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**Handling Restrictions:** n/a  
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**Locator:** TEXT ON-LINE, TEXT ON MICROFILM  
**Office:** ORIGIN ARA  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 8  
**Previous Channel Indicators:**  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CollinP0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 07 JAN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <07 JAN 2003 by ThomasVJ>; APPROVED <18 MAR 2004 by CollinP0>  
**Review Markings:**

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EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** data\_error  
**TAGS:** EAGR, EPAP, BR  
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CANBERRA  
BOGOTA  
SAN JOSE  
SANTO DOMINGO  
QUITO

ADDIS ABABA  
ACCRA  
GUATEMALA  
CONAKRY  
PORT AU PRINCE  
TEGUCIGALPA  
NEW DELHI  
JAKARTA  
KINGSTON  
NAIROBI  
MONROVIA  
MEXICO  
MANAGUA  
LUANDA  
YAOUNDE  
BANGUI  
COTONOU  
LIBREVILLE  
ABIDJAN  
TANANARIVE  
LOME  
PANAMA  
ASUNCION  
LIMA  
LISBON  
KIGALI  
FREETOWN  
DAR ES SALAAM  
PORT OF SPAIN  
CARACAS  
KINSHASA  
LAGOS  
LA PAZ  
EC BRUSSELS  
BONN  
BRUSSELS  
COPENHAGEN  
DUBLIN  
LUXEMBOURG  
OSLO  
PARIS  
ROME  
THE HAGUE  
OECD PARIS  
PORT MORESBY VIA POUCH  
**Type:** TE

**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006